

PM's 'Calculator' Increases Don't Look So Large

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Opinion: Scoop Feedback

Scoop Feedback: CPAG Responds To PM's Comments On Working For Families Report

PM's 'pocket calculator' increases don't look so large against long term erosion.

Child Poverty Action Group

At her [Monday press conference](#), a busy Helen Clark claimed to have done some "brief work with a pocket calculator this morning, before I did my first radio interview at half past six" [[CLICK HERE FOR SCOOP COVERAGE](#)], working out how much benefit families would get from the Working for Families (WFF) package, under the government's own scenarios. She found the increase of \$9.50 per child for the budget scenario DPB family with two kids in South Auckland 'quite significant' (giving the family an increase of 3.9 % by 2005), with an extra \$10 a child giving 8.1% by 2007). She went on to describe CPAG authors Susan St John and David Craig's work as "pretty shoddy". Later that day on Radio Pacific, MSD Minister Steve Maharey had described it as "out of context".

In fact, having re-run the figures ourselves, it's clear the PM's own calculations should have been done a little differently, and with some further, careful attention to wider 'context'.

On one level, the Treasury papers on which the calculations were based don't include cuts to the special benefits, which will affect many families under WFF, leaving them less than 3.9 and 8.1% better off. There are some questions about immediate inflation impacts on Family Support (it's not indexed to inflation until 2008) that should be considered too.

But in a wider context, these are relatively minor aspects. What a re-running of the PM's analysis over a longer time frame ultimately shows is that under Working for Families, extra "family support" for benefit families even by 2007 will not have kept up with inflation. Simply, the (approximately) 3.9% and 8.1% will not undo years of erosion of Family Support.

The last time benefit families got any increase in family support was 1996, when \$5 a child was given to benefit families who, then as now, missed out on much bigger tax credits aimed at working families. Measured from 1996, the increases by 2005 and 2007 look a lot less generous.

As the table below shows, step back to 1986 and it looks even worse. This family got \$64 a week for Family Support when it was first introduced in 1986. Right now they are getting \$79 a week. In order to just catch up with the inflation since 1986 they needed another \$39 per week by 2005. With just a \$19 increase then they will still be 18% behind in real terms. Of course since 1986, living standards on average have risen, so price adjustment is the absolute least the government should have aimed for. Even in 2007, with all Working for Families increases in place, they will still be 6% behind in real terms compared to 1986.

Year ended	1986	2005/6	% increase	2007/8	% increase
March					

Inflation	625	1163*	81%	1222*	95.5%
Average CPI					
Family Support	\$64	\$98	53%	\$118	84%
2 child pw					
(\$2005)	\$119	\$98	-18%	\$112	-6%

*assumes annual Consumer Price Index increases of 2.5%

Table: Increases in CPI and in real Family Support for a two child family on a benefit, 1986-2008

The problem is that every year there was no inflation adjustment, money is lost from poor families for ever, and the losses over so many years add up to considerable sums. These annual losses can be seen as part of the reason for the accumulation of family debt, and certainly for the increased pressure on foodbanks. By denying about 300,000 of the poorest children the work-based tax credit given to others in 1996, alone has saved the government about \$2 billion to date. Holding 175,000 of these kids back now is frankly, to use another word we've heard, 'offensive'.

And beyond this, the PM surely knows that any given percentage increase of 'not much' is 'not much'. For example, the PM's recent salary increase of 4% means an increase of \$143 net a week, while her estimate of 3.9% for the family is a net increase of only \$19 a week. Remember this increase is only \$9.50 for each child – it can't begin to address the social deficit the family endures. In contrast to the annual salary increases for politicians, which they won't be kept waiting for, Family Support increases by nothing at all until next year, 9 years after the last crumb, and 5 years after Labour came to power. In the meantime we are putting \$2 billion into baby boomers superannuation, New Zealand Superannuitants get regular increases for inflation even if they are millionaires, and everyone is lining up to spend 1 and 2 hundred million of the current surplus on pet projects. In such a context, Working for Families is extraordinarily timid for our poorest children. Its not too late to review it to ensure that the most marginal children are not left even further out in the cold.

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